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CONFIDENTIAL--ERITREA AND ETHIOPIA

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gradually whittled down this autonomous status, and in 1962 reduced Eritrea to just another province--spurring Eritrean resentment and giving a boost to separatist movements.

Eritrea's approximately 2 million people are divided about equally into Christians and Muslims. There are other social divisions based on language, ethnic affiliation, and way of life. The province, about the size of Pennsylvania, consists of the humid Red Sea littoral; a cooler, better-watered central highland area where Asmara is located; and the hot, dry lowlands next to the Sudanese border. Population is unevenly distributed, with most people concentrated in the highlands or in relatively hospitable territory around the port of Massawa.

Until recently, support for the separatists came primarily from the Muslim herdsmen of the lowlands. The Christians, most of whom are settled agriculturalists in the highlands, were traditionally more amenable to some kind of continuing relationship with Ethiopia. The killing of General Aman in November 1974 and the reversion of the Ethiopian government to a hard line on Eritrea has undoubtedly increased support for independence among the Christian Eritreans.

If Eritrea becomes independent the status of its southeastern portion, inhabited by the Danakils, will be a question mark. The Danakils are primitive tribesmen, whose ferocity and desert environment has caused the Ethiopian government to leave them pretty much on their own. The Danakil are hostile to external authority, and it is uncertain whether the Eritreans could reach an accommodation with them.

An independent Eritrea would become another small African country with a poor natural resource base and a minuscule domestic market. Eritrea has a limited agricultural potential. Cultivated land is only about 3 percent of the total. Grain now supplied from the Ethiopian hinterland would have to be imported, even in years of good harvest. Eritrea's greatest agricultural wealth is in livestock.

Eritrea has some industrial establishments, including a refinery at Assab--now supplied with crude from Saudi Arabia--a cement plant at Massawa, and various small agricultural-processing and consumer goods-producing facilities. Thus far exploration for minerals has had disappointing results.

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The viability of Eritrea as a separate state would depend on foreign aid and investments, and on maintaining sufficient political stability to encourage foreign businessmen and technicians to remain. Eritrea's prospects would be considerably boosted by the return from Addis Ababa of Eritreans with business and commercial skills, and by a future willingness of Ethiopia to do business with the Eritreans. The ports of Massawa and Assab could continue to handle Ethiopian exports and imports.

Ethiopia is already one of the world's poorest nations, but it would continue to be viable even if it lost Eritrea. Ethiopia's people lack modern skills, there are few mineral resources, the manufacturing sector is tiny, and agriculture is inefficient and subject to the vagaries of weather and world prices.

The loss of Eritrea would make Ethiopia even more isolated, and would further hamper presently inadequate transportation and marketing facilities. The loss of its seacoast and ports would be a bitter blow for Ethiopia, but economically the impact would be mitigated by Ethiopia's continuing use of Djibouti, in the French territory of Afars and Issas. At present Djibouti, which is linked by road and railway to Ethiopia, is Ethiopia's major ocean port, handling almost two-thirds of its exports by value, and importing much of the iron, steel and other raw materials for the small industrial sector.

Eritrean rebel spokesmen have publicly stated their willingness to negotiate a settlement which would permit continued Ethiopian use of the Eritrean ports of Massawa and Assab. Assuming Eritrea had won its independence, Ethiopia would be under considerable economic pressure to accept such an arrangement. Massawa and Assab are the logical seaports for northern and western Ethiopia, and reliance on Djibouti as the port of entry for all the country's needs, however, does not seem feasible. Moreover, Ethiopia's loss of its only petroleum refinery at Assab would add to its economic difficulties.

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